

**IOWA PROPANE EDUCATION AND
RESEARCH COUNCIL - STATE**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2009 AND 2008

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Iowa Propane Education and Research Council - State

We have audited the accompanying statements of cash receipts and disbursements for Iowa Propane Education and Research Council – State, a program of Iowa Propane Education and Research Council (a nonprofit organization) for the years ended December 31, 2009 and 2008. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on the financial statements of the program based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note A, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash receipts and disbursements of Iowa Propane Education and Research Council – State for the years ended December 31, 2009 and 2008, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report, dated April 26, 2010, on our consideration of Iowa Propane Education and Research Council – State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

McGowen, Hurst, Clark & Smith, P.C.

West Des Moines, Iowa
April 26, 2010

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IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH RECEIPTS		
Monthly assessments	\$ 486,165	\$ 331,609
Funds received from Propane Education and Research Council for the purchase of computers	-	4,340
Interest	2,146	1,684
TOTAL CASH RECEIPTS	<u>488,311</u>	<u>337,633</u>
CASH DISBURSEMENTS		
Safety director	113,500	69,818
Service agreement	26,760	22,770
Props and training materials	20,270	-
Water heater	15,857	-
Fire schools	4,437	-
Hazmat classes	4,000	-
LIHEAP regulator	678	92
Computer	-	4,340
Radio Iowa flood project	-	4,000
Red danger tag	345	3,174
Legal fees	9,133	10,219
Audit and tax fees	3,350	-
D&O insurance	567	569
Miscellaneous	4,149	2,506
TOTAL CASH DISBURSEMENTS	<u>203,046</u>	<u>117,488</u>
RECEIPTS OVER DISBURSEMENTS	285,265	220,145
CASH AND CASH EQUIVALENTS - beginning of year	<u>220,145</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - end of year	<u><u>\$ 505,410</u></u>	<u><u>\$ 220,145</u></u>

The accompanying notes are an integral part of these financial statements.

IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE
NOTES TO FINANCIAL STATEMENTS

NOTE A – SUMMARY OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Program – The Iowa Propane Education and Research Council - State (the Program) is a program of Iowa Propane Education and Research Council (the Council), a nonprofit organization established by the Iowa Propane Education and Research Act. The Program is only one component of Iowa Propane Education and Research Council. The purpose of the Program is to provide activities designed to give information regarding propane, propane equipment, mechanical and technical practices, and uses of propane to consumers and members of the propane industry. Under the Iowa Propane Education and Research Act, the Program receives an assessment fee on the sale of odorized propane.

Method of Accounting – The Program's records are maintained on a cash basis. Under this method, revenues are recognized when received rather than when earned, and expenses are recognized when paid rather than when the obligation is incurred. Property and equipment purchases are treated as a current-year expense in accordance with the cash basis method of accounting. The cash basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Accordingly, the financial statement does not present financial position and results of operations in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents – Cash and cash equivalents consist of interest bearing demand and money market accounts in federally insured financial institutions. The Program occasionally maintains bank deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Funds Received from Assessments – The Program's sole source of revenue is an annual assessment from propane marketers in the state of Iowa at a rate of one-tenth of one cent on each gallon of odorized propane sold in Iowa.

Income Tax Matters – The Program's activities are included in the informational tax filings prepared by the Council.

NOTE B – PROJECT COMMITMENTS

The Council has the following project commitments at December 31, 2009:

Safe water heater	\$ 94,493
LIHEAP regulator	59,548
Safety director	56,683
Props and training materials	9,730
Fire schools	7,563
	<u>\$ 228,017</u>

NOTE C – FUNCTIONAL ALLOCATION OF EXPENSES

Allocations of functional expenses are made by direct assignment of cost to functional categories.

Following is a summary of the functional allocation of expenses:

	2009	2008
Program services	157,592	\$ 81,243
General and administrative	45,454	36,245
	<u>\$ 203,046</u>	<u>\$ 117,488</u>

IOWA PROPANE EDUCATION AND RESEARCH COUNCIL - STATE
NOTES TO FINANCIAL STATEMENTS

NOTE D – IOWA PROPANE GAS ASSOCIATION

Certain administrative functions are performed by the Iowa Propane Gas Association (Association). The Council paid the Association \$26,760 and \$22,770 in 2009 and 2008, respectively, for administrative services provided to the Program. The Program funded approved projects of the Association in the amount of \$113,500 and \$69,818, including \$8,895 and \$1,150 in project management fees paid to the Association, during the years ended December 31, 2009 and 2008, respectively.

NOTE E – SUBSEQUENT EVENTS

The date to which events occurring after December 31, 2009, the date of the most recent statement of cash receipts and disbursements, have been evaluated for possible adjustment to the financial statements or disclosure is April 26, 2010, which is the date the financial statements were available to be issued.

OTHER REQUIRED
INDEPENDENT AUDITOR REPORTS



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENT PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Iowa Propane Education and Research Council

We have audited the statements of cash receipts and disbursements for the Iowa Propane Education and Research Council – State, a program of Iowa Propane Education and Research Council (a nonprofit organization), for the year ended December 31, 2009, and have issued our report thereon dated April 26, 2010. Our report on the financial statements disclosed that, as described in Note A to the financial statements, the Council prepares its financial statements on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Iowa Propane Education and Research Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa Propane Education and Research Council's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Program's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiency in the Program's internal control to be a material weakness.

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External Financial Reporting Expertise

Internal control over financial reporting includes controls over not only general ledger and internal financial reporting, but also over external financial statement reporting, including financial statement disclosures. The Council engages us to assist them with their external financial statement reporting as the staff does not possess, as is the case with most small non-profit organizations, the necessary familiarity with certain financial statement reporting and disclosure reporting requirements. As we cannot be considered part of the Council's internal control according to generally accepted auditing standards, this lack of internal expertise results in the matter being considered a material weakness. We recommend that the Council continue to work closely with us in the preparation of their audited financial statements.

Management's response – We agree with the finding and recommendation. The Iowa Propane Education and Research Council will continue to work with its auditor in the preparation of its external year-end full disclosure financial statements.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in the Program's internal control to be a significant deficiency:

Segregation of Duties

Accounting functions are provided by Iowa Propane Gas Association. The Association's staff consists of two full-time employees. The limited number of staff makes it difficult to assign responsibilities so that individuals with access to assets are not also responsible for recording transactions relating to those assets. Adequate segregation of incompatible accounting duties is often not possible in this size of organization. As a result, it is important for the Board of Directors to continue to closely monitor and investigate unexpected operating results and review the bank statements. We recommend the board treasurer carefully review bank statements and review copies of cancelled checks for any evidence of unapproved disbursements.

Management's response – We agree with the finding and recommendation. The Council's treasurer will review bank statements and copies of cancelled checks.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Propane Education and Research Council - State's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Iowa Propane Education and Research Council's responses to the findings identified in our audit are described above. We did not audit the Council's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Program, and is not intended to be and should not be used by anyone other than these specified parties.

McGowen, Hunt, Clark & Smith, P.C.

West Des Moines, Iowa
April 26, 2010